



U.S. consumers gain confidence

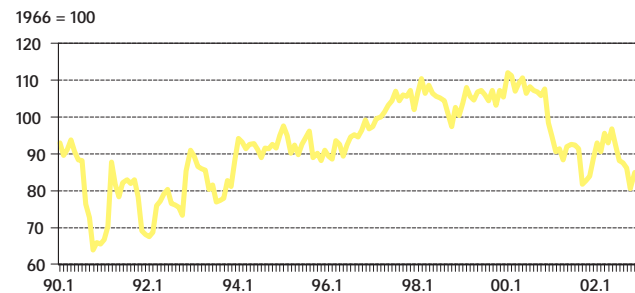
Signs of strength in the key U.S. consumer sector emerged from the latest consumer sentiment survey. The University of Michigan Consumer Sentiment Index rose in November for the first time in six months, according to preliminary figures. The index remains at its lowest level since late 1993 and indicates continuing moderate growth in consumer spending. Weak international trade, labour market growth and stock prices, together with the possibility of war with Iraq, may well be dampening the growth rate of consumption in the U.S.

Consumer spending remains the main source of growth for the U.S. economy and November's rebound in consumer sentiment indicates attitudes are stabilizing. Low interest rates and stimulative fiscal measures are positive factors underlying the improving sentiment.

Retail sales growth was essentially flat in October, owing to plummeting auto sales. Excluding autos, sales growth remained positive. Total retail and food service sales were 0.7% below October 2001, while sales excluding automobiles were up 4.5%. Automakers are working to spur sales by offering zero per cent financing and other incentives on 2003 car sales.

U.S. consumer confidence turns up

U.S. Consumer Sentiment Index

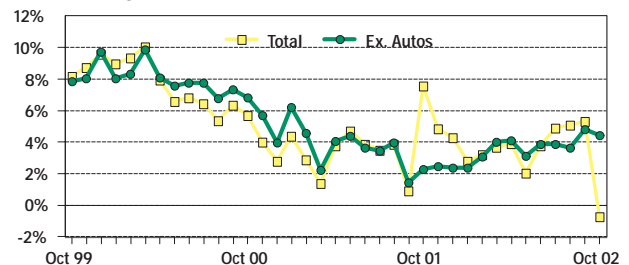


Source: University of Michigan. Latest: Nov/2002 preliminary.

U.S. auto sales slow

U.S. Retail Sales Growth

Per Cent Change, Year-Over-Year



Source: U.S. Commerce Dept.

The outlook for consumer spending growth is moderate and the broader economy's up-shift to a stronger growth rate awaits a boost from business investment. A fallback into recession is not expected, but the zigzag pattern of quarterly growth around a moderate trend (2% to 3%) is likely to continue. Third-quarter real GDP growth came in at an annual rate of 3.1% (preliminary) and fourth quarter growth is shaping up to slip back to about 2%.

B.C.'s economic growth is fairly closely related to the U.S. scene, so this latest news on the U.S. consumer is somewhat encouraging. B.C. exports of forest products and tourism services are two obvious sectors affected by changes in U.S. consumer spending.